



June 13, 2008

The Honorable Charles Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive (29210)
Post Office Drawer 11649
Columbia, South Carolina 29211

Dear Mr. Terreni,

I hereby submit the following article for **dockets 2008-196-E and 2007-440-E** and request that this memo and the article be posted on the Public Service Commission website.

In written and oral testimony by Duke in the "preconstruction cost" docket (2007-440-E), there was no indication that the company was seeking new clients outside its service area, but that seems to be the case if this article about a contract with the City of Orangeburg is correct.

There needs to be testimony presented in current and future proceedings that would clarify if Duke and/or SCE&G are seeking to provide electricity from any new nuclear reactors to clients outside their traditional service areas. Duke and SCE&G (in docket 2008-1996-E) must reveal if they have plans to export to export electricity, in either a long-term or spot manner, as they plan for new reactors and request PSC support in those ventures.

Sincerely,

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Orangeburg Times and Democrat

City OKs \$500 million power deal with Duke

By TUCKER LYON, T&D Government Writer
Wednesday, May 21, 2008

Looking at savings of \$10 million a year over the next decade, the city of Orangeburg's Department of Public Utilities has negotiated a new half-billion dollar electric supply contract with Duke Energy.

The measure, which City Council unanimously authorized by resolution Tuesday, marks the first time DPU has purchased the bulk of its electric energy from a source other than SCE&G or its predecessor in almost 90 years.

"This is big news for us," said DPU Manager Fred Boatwright, who advised council of the contract in closed, executive session.

"It's a wonderful deal for our rate payers and our job is to get the lowest rate we can. ... This gives me great satisfaction that for the next 10 years we have a good deal in place, especially in the energy market we have today. ...

"This is a big thing for Duke and this is a big thing for SCE&G to lose us. Orangeburg was SCE&G's largest customer. And we've been buying from SCE&G or their predecessor since 1919."

The estimated \$10 million-a-year savings will total \$100 million over the life of the contract.

As explained by Boatwright, with the SCE&G contract expiring the end of April 2009, DPU began working on a new electric supply contract two years ago. The initial five-year proposal from SCE&G, as well as a re-submitted 10-year plan, called for a 30 percent increase in costs.

After soliciting other proposals and receiving a "very interesting" response from Duke, Boatwright said, negotiations began with both Duke and SCE&G.

"We quickly determined SCE&G couldn't have given us a better deal," he said. "Now, we're at the point we have hammered out a very equitable deal (with Duke). It essentially keeps us right where we are. There will be no savings in 2009, a little in 2010, but considerable savings over the years.

"We hammered it all out and I'm happy with the results -- \$10 million savings a year over what the alternative would have been. It's a good deal."

According to Boatwright, the new half-billion dollar deal, at \$50 million a year for 10 years,

includes “pricing and terms which are similar to those we presently enjoy -- extremely attractive rates, credit for our own generation (different structure, but same overall monetary credit), reasonable accommodation for future load growth and, most importantly, treatment as ‘native load.’”

He added the 10-year contract, “will allow for stable supply costs, including a reasonable handle on fuel costs and a variety of generation sources. ... The new contract will not require any adjustments to any of our residential rates at this time. As you know, the purchase cost of power is a direct pass through to our customers and we anticipate the costs in 2009 to be approximately the same as they are now. The really good news is that they will not go up by 30 percent.”

While residential rates are expected to remain the same, Boatwright said that some contractual adjustments will be made to the industrial rates to reflect the provisions of the new purchase agreement. After restructuring, he said, the dollar amount will remain the same, but the way it’s billed will be different.

Although Duke will provide the electric energy, DPU will still receive some electric transportation from SCE&G. Under the old SCE&G contract, Boatwright said, DPU received capacity, energy and transportation. Duke will provide capacity, energy and some transportation.

“I would like to go on record as stating that SCE&G has been a significant partner in the success of the Department of Public Utilities and we are also happy to be maintaining a working relationship with SCE&G,” Boatwright said.

He praised the “excellent working relationship,” DPU has had with SCE&G.

“They will provide the transmission of our purchased power through one of their many interconnection points with Duke Energy to Orangeburg,” he said.

Noting that Duke Energy is a “much-respected name in the energy generation business,” Boatwright said that one reason Duke can offer such good prices is its variety of sources, including nuclear, coal and natural gas.

“Put all together, it’s a pretty good mix and it allows them to get good prices,” he said.

As amended by council, the contract includes language stipulating that the agreement concerns DPU and the “city of Orangeburg.” Boatwright is scheduled to sign the contract at 11 a.m. Friday at DPU headquarters on Russell Street.

<http://www.timesanddemocrat.com/articles/2008/05/21/news/doc483371fb145bb364704767.txt>